HOUSING MARKET INFORMATION

HOUSING MARKET OUTLOOK

St. John's CMA

Canada Mortgage and Housing Corporation

Date Released: Fall 2007

Renewed Demand for Homeownership

Improving in-migration, paired with increased economic activity and solid labour market performance have renewed the demand for homeownership within the St. John's region. Accordingly, housing market performance will remain favourable throughout the remainder of 2007 and into 2008. The renovation sector will build on its recent strength, exceeding $800 million for the first time both this year and next. With the cost of homeownership now at historic highs, prospective buyers remain somewhat price sensitive when considering the purchase of a home. However, personal income growth has bolstered consumer confidence, adding further support to the overall demand for both newly built and existing homes.

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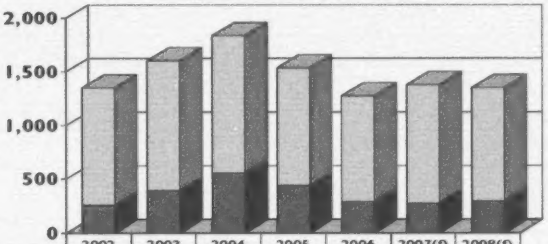
Housing Starts Activity will Remain Favourable

Housing Starts- St. John's Region



	2002	2003	2004	2005	2006	2007(f)	2008(f)
Singles	1,093	1213	1,275	1,096	985	1,100	1,050
Multiples	257	391	559	438	290	275	300

Source: CMHC Forecast 2007, 2008

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Resale Market

MLS® Sales Continue Torrid Pace

After posting record sales for seven consecutive years, the local resale market is expected to once again continue this trend, flirting with the 4,000 unit mark this year and next. In view of this, our forecast calls for MLS® sales to climb 13.8 per cent to 4,025 units in 2007, with 3,950 sales expected in 2008. With the majority of new home sales now flowing through the MLS® system, growth in residential construction activity will have a positive impact on total MLS® sales over the forecast period. Also, the sustained high level of active listings has provided buyers with a broader choice in the local resale market and helped pull buyers away from the premium-priced new home construction market, further strengthening the demand for existing homes. The growing new home versus existing home "price gap" is resulting in a greater number of first-time buyers opting for existing over new, further bolstering overall resale activity.

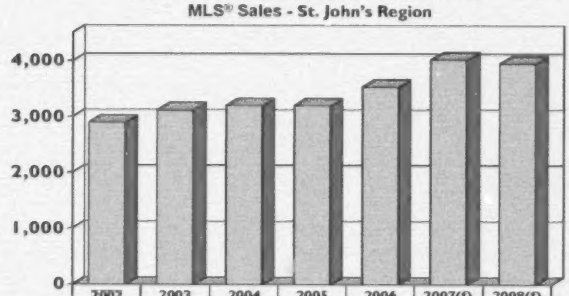
Resale Market Returning to Balanced Classification

After three years of sellers market conditions in the St. John's region, the resale market became balanced in 2005 and remained there for less than a year, as strong sales activity was offset by a sudden surge in active listings. In fact, 2006's surge in active listings drove the sales-to-active listings ratio down to its lowest level since 1999 and the St. John's resale market became classified as buyers in May of 2006. Although a further reclassification will depend on fourth quarter results, the current trend in the sales-to-active listings ratio and other factors combined, suggest the market is once again moving to balanced conditions. With ample inventory still on the market, home buyers continue to enjoy a fairly broad choice of inventory compared to years past. However, the average time on market is trending lower and price growth has returned, after having been non-existent since 2005. With buyers now less price sensitive and sellers having lowered their price expectations, realtors should find it easier to close sales transactions on residential properties. Our current forecast is for active listings to remain relatively high, as some sellers capitalize on equity gains, while others downsize from their family homes in accordance with recent demographic trends. The increasingly active move-up buyer segment will continue to absorb many of these family homes. As a result, the local resale market is expected to be classified as balanced by the end of 2007.

Figure 2

MLS® Sales Continue Torrid Pace

MLS® Sales - St. John's Region



	2002	2003	2004	2005	2006	2007(f)	2008(f)
MLS® Sales	2,893	3,119	3,203	3,196	3,537	4,025	3,950

Source: CREA, CMHC forecast.

MLS® is a registered trademark of the Canadian Real Estate Association (CREA)

Price Growth Expected

With the market teetering near balanced conditions, expect to see moderate price growth this year and next. Our average MLS® house price is forecast to end the year at $148,000, an increase of 6.1 per cent, followed by a further 6.4 per cent gain in 2008 to $157,500. The active move-up buyer segment will result in two-storey homes experiencing the highest price growth over the forecast period. The current high cost of homeownership vis-à-vis mortgage carrying costs and energy costs, will continue to have a negative impact on two-storey demand from the first-time buyer segment. On that note, demand for bungalows with or without basement apartments should remain a solid alternative for this segment of the market.

New Home Market

Housing Starts Activity will Remain Favourable

A more positive provincial net-migration picture will cause provincial housing demand to increase this

year and only retreat slightly next year. Consequently, total provincial housing starts will edge up to 2,325 units in 2007, with 2,250 forecast for 2008. Conditions within the St. John's metro area will remain favourable. The overall level of residential construction activity will increase due to solid economic and demographic fundamentals, as well as an expectation of more in-migrants to the region as a result of the recent energy project announcement. The expected boost in overall home buying activity will sustain residential construction growth within the metro region during the forecast period. However, continued price growth, combined with higher construction costs, will result in further gains in monthly homeownership costs and prevent some buyers from entering the new home market. As demand increases, stiff competition from the large supply of less expensive existing homes may constrain total housing starts somewhat. Accordingly, total housing starts are forecast at 1,375 units within the St. John's region in 2007 and 1,350 in 2008.

Slower Multiple Starts Activity

Multiple unit construction is expected to slow during the forecast period, offset slightly by higher numbers of condominiums and an increase in affordable housing projects. Continued in-migration, due to increased economic activity and employment, and demographic trends such as smaller household structures and an aging population, will support the growing condo market in St. John's this year and next. However, with a recent peak in supply, demand for newly built semi-detached homes will remain low until most of the existing inventory gets absorbed. Furthermore, with the help of innovative mortgage products, buyers are, in some cases, able to choose a single-detached dwelling over a semi-detached. That being said, new lower-priced semi-detached units will always remain attractive to a certain segment of buyers, provided that new single-detached house prices continue to climb. In view of this, our multiple housing starts forecast is 275 units in 2007 and 300 in 2008.

Rental Market

Vacancy Rate Remains Stable

Several factors will keep the vacancy rate relatively stable throughout 2007 and 2008. The movement of renter households to home ownership will continue at a slower pace, as home ownership costs rise. Net-migration losses from the 18 to 24 year-old segment of the population will persist and once again and have a negative impact on the vacancy rate, as close to 90 per cent of this age group tend to be renter households. Investment in affordable rental housing will increase the supply slightly this year and next. Accordingly, the vacancy rate for structures containing three or more units is forecast at 4.7 per cent in 2007 and 4.8 per cent in 2008. Although the vacancy rate will hold relatively steady, expect monthly rents to increase by 1.6 per cent and 3.1 per cent this year and next respectively, as landlords attempt to recover the large investment associated with recent renovations to the rental stock.

Mortgage Rates

Mortgage Rates will Remain Low

Mortgage rates are expected to remain flat through the end of 2007. While still low by historical norms, mortgage rates are expected to rise gradually by 25-50 basis points in 2008. The one year posted mortgage rate is forecast to be in the 6.50-7.50 per cent range, while three and five year posted mortgage rates are forecast to be in the 6.75-7.75 per cent range in 2008.

Forecast Summary
St. John's CMA
Fall 2007

	2004	2005	2006	2007f	% chg	2008f	% chg
Resale Market							
MLS® Sales	3,265	3,211	3,537	4,025	13.8	3,950	-1.9
MLS® New Listings	6,020	6,793	7,292	7,456	2.2	7,500	0.6
MLS® Average Price ($)	131,499	141,167	139,542	148,000	6.1	157,500	6.4
New Home Market							
Starts:							
Single-Detached	1,275	1,096	985	1,100	11.7	1,050	-4.5
Multiples	559	438	290	275	-5.2	300	9.1
Semi-Detached	256	140	104	65	-37.5	75	15.4
Row/Townhouse	47	31	24	25	4.2	25	0.0
Apartments	256	267	162	185	14.2	200	8.1
Starts - Total	1,834	1,534	1,275	1,375	7.8	1,350	-1.8
Average Price ($):							
Single-Detached	179,165	196,437	202,698	212,800	5.0	225,500	6.0
Median Price ($):							
Single-Detached	160,000	170,000	175,812	184,600	5.0	195,600	6.0
New Housing Price Index (% chg.)	5.4	5.6	3.7	4.0	n/a	4.0	n/a
Rental Market							
October Vacancy Rate (%)	3.1	4.5	5.1	4.7	-0.4	4.8	0.1
Two-bedroom Average Rent (October) ($)	618	634	635	645	1.6	665	3.1
One-bedroom Average Rent (October) ($)	521	539	542	550	1.5	565	2.7
Economic Overview							
Mortgage Rate (1 year) (%)	4.80	5.80	6.30	6.86	0.56	7.19	0.33
Mortgage Rate (5 year) (%)	6.05	6.30	6.45	7.02	0.57	7.41	0.39
Annual Employment Level	89,500	90,300	93,400	94,300	1.0	95,700	1.5
Employment Growth (%)	-0.8	0.9	3.4	1.0	n/a	1.5	n/a
Unemployment rate (%)	9.0	8.9	8.1	7.0	n/a	6.5	n/a
Net Migration	1,648	415	107	500 **		1,000	100.0

MLS® is a registered trademark of the Canadian Real Estate Association (CREA).

Source: CMHC (Starts and Completions Survey, Market Absorption Survey), adapted from Statistics Canada (CANSIM), CREA, Statistics Canada (CANSIM)
NOTE: Rental universe = Privately initiated rental apartment structures of three units and over

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